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ANGLO UNITED

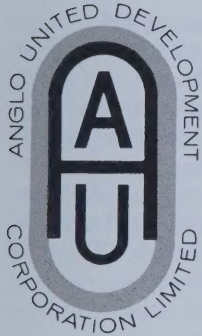
Development Corporation

LIMITED

27th ANNUAL REPORT



1976



OFFICERS	President, ALAN R. B. LOWE Vice-President, MATTHEW GILROY Vice-President, L. JULES GREGOIRE Secretary-Treasurer, THOMAS E. KELLY
DIRECTORS	JOHN C. EVANS, Investment Dealer, Toronto, Canada MATTHEW GILROY, Mining Executive Dublin, Ireland L. JULES GREGOIRE, Civil Engineer, Hull, Canada A. GARFIELD HEYES, Mining Executive, Toronto, Canada PATRICK J. HUGHES, Mining Executive, Dublin, Ireland ALAN R. B. LOWE, Mining Executive, Toronto, Canada PETER McALEER, Barrister at Law, Dublin, Ireland JAMES H. MORLOCK, Barrister and Solicitor, Toronto, Canada GEORGE T. SMITH, Mining Executive, Toronto, Canada
TECHNICAL STAFF	DAVID G. WILBUR, B.Sc., Chief Geologist PETER K. DENDLE, B.Sc., M.Sc., Geologist
SHAREHOLDERS' AUDITORS	COOPERS & LYBRAND Chartered Accountants, Toronto, Canada
BANKERS	BANK OF NOVA SCOTIA King and Victoria Sts. Branch, Toronto, Canada Canada House, St. Stephens Green, Dublin, Ireland
TRANSFER AGENTS	CANADA PERMANENT TRUST COMPANY Toronto, Canada
EXECUTIVE AND HEAD OFFICE	P.O. Box 27, Suite 2602, Royal Trust Tower, Toronto-Dominion Centre, Toronto, Canada M5K 1A1 Telephone (Area Code 416) 362-2781, Telex: 06-217766 Cable Address "ANGUNIT", Toronto, Canada
DUBLIN OFFICE	162 Clontarf Road, Dublin, Ireland
ANNUAL MEETING OF SHAREHOLDERS	Friday, April 29, 1977, 9:30 a.m., Toronto time. British Columbia Room, Royal York Hotel, Toronto, Canada

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors are pleased to present the 27th Annual Report of the Company. Included are audited consolidated financial statements of the Company and its wholly owned subsidiaries for the fiscal year ended 31st October, 1976 together with the following review of the principal properties and mineral interests held and a summary of the main activities during the year.

The major emphasis of exploration activity in the 1975-1976 fiscal year was in connection with the group of prospecting licences in the Republic of Ireland under a joint venture agreement between your Company's wholly owned Irish subsidiary, Munster Base Metals Limited ("Munster"), Societe Miniere et Metallurgique de Penarroya ("Penarroya") and Preussag Aktiengesellschaft Metall ("Preussag").

As previously reported, the financial obligation of your Company in respect of the initial agreement dated 1st July, 1971 whereby it was responsible for 100% of the exploration and related expenses was changed, effective 1st November, 1975 by a superceding agreement under the terms of which each of the parties will have an initial one-third participating interest with regard to the prospecting licences constituting the joint venture.

The contemplated exploration programmes for any particular period will be subject to approval by the Management Committee in which each of the parties will exercise their respective vote. Provision has been made for any of the parties to withdraw from a specific project at the conclusion of the phase of the approved exploration programme. Munster has been designated as the operator for the Joint Venture.

Financial

Your Company's working capital at 31st October, 1976 (exclusive of investments consisting of 246,333 shares of Northgate Exploration Limited) was \$374,890, an increase of \$281,357 from the amount at fiscal year end 1975 of \$93,533. The principal factor contributing to the increase in working capital was the proceeds from the sale under private placement to associated Northgate Exploration Limited of 600,000 common shares for cash of \$400,000.

Revenue during the year amounted to \$44,427 and total expenses exclusive of exploration expenditures, were \$96,429 resulting in a loss for the period of \$52,002. Exploration expenditures for the year, including expenses allocable to the Munster-Penarroya-Preussag Joint Venture, amounted to \$79,248. Cumulative expenditures in connection with this joint venture (as amended for the period from 1st July, 1971 to 31st October, 1976 total \$877,822.

PROSPECTING LICENCES IN THE REPUBLIC OF IRELAND

Exploration on certain areas of the group of prospecting licences within the joint venture agreement between Munster, Penarroya and Preussag was the main activity of the Company during the 1975-1976 fiscal period. This work consisted principally of prospecting, geological mapping, geophysical and geochemical surveys, the latter also including deep overburden and bedrock sampling using a portable percussion drill, together with core diamond drilling on four licence areas.

During the year, following an evaluation of exploration results and other considerations, 37 prospecting licences were surrendered, reducing to 23 the number of licences held under the joint venture agreement at 31st October, 1976. Subsequent to the fiscal year end an additional 9 licences were also surrendered while applications were pending with respect to five new licences.

Continuing exploration is planned for certain of these licence groups with particular emphasis on the Mallow, Kerry and Wexford areas. The Mallow area licence group includes the known Tullacondra copper-silver deposit where earlier drilling indicated the possibility of an occurrence of about 4 million tons of mineralized material grading about 0.69% copper and 0.86 ounce of silver per ton, as well as the lead-zinc showing known as the Grange East about 2.5 miles east of Tullacondra.

The Wexford area licence group encompasses the known mineralized areas at Duncormick which was diamond drilled in 1972 obtaining significant zinc-lead mineralization at depths up to 750 feet. The Kerry area (Fairy Gate) was the site of the 1973

drilling programme which encountered encouraging lead-zinc values.

In addition to the joint venture licences, your Company retains its wholly owned Clontibret licence which is being evaluated for its antimony-gold possibilities and also is participating in a group of 20 licences in the Connemara area where investigations have indicated scheelite (tungsten) occurrences.

The joint venture agreement covering these Connemara licences is subject to the consent of the Minister for Industry and Commerce. The initial stage of the exploration programme contemplated by the joint venture agreement is to be funded by the co-venturer corporation to the extent of \$60,000 in the initial year and further sums in succeeding years.

ISLE OF MAN

Your Company is participating with other associated companies of the Northgate Group in an exploration programme for lead-zinc and copper deposits in the Isle of Man. This joint venture exploration is being carried out on a licence issued to Carrick Exploration Limited by the Isle of Man Forestry, Mines and Land Board. Southern Exploration Limited, in which your Company has a 10% participation, holds a 67.5% interest in Carrick Exploration.

Early results from the soil sampling programme indicate a strong geochemical anomaly in an area of recently discovered lead-zinc mineralization. To date, three holes have been completed on one section spaced about 160 feet apart at an angle of 45° west. The first hole encountered 127 feet of overburden and was completed at 261 feet in limestone in which no mineralization was encountered. However, sludge samples from 80 to 120 feet returned lead-zinc values of 1% combined with minor copper.

Hole No. 2 encountered 51 feet of overburden and was completed at 276 feet in barren limestone. Hole No. 3 encountered 51 feet of overburden and was completed at 270 feet. Minor mineralization is present from 80 to 220 feet in three principal zones: 108-112 feet, 130-170 feet and 190-220 feet. Diamond drilling is continuing.

STATE OF ALASKA, U.S.A.

The semi annual report published under date of 28th June, 1976 referred to certain joint ventures in

the State of Alaska in which your Company proposed to have an approximate 15% interest and a tentative contributing 1976 budget for this joint venture totaling approximately \$100,000.

Subsequently, the joint venture exploration programmes in the Seward Peninsula and Central Alaskan Range areas originally contemplated varying degrees of participation by Northgate and associated Westfield Minerals, Anglo United Development Corporation and possibly other companies and/or interests. These participating interests were subsequently re-aligned with Anglo United's interest being acquired by Northgate.

CANADA

Your Company's principal interest in Canada is the Camp Lake gold property consisting of 20 claims or approximately 1,000 acres located in the Yellowknife area, Northwest Territories, which is held under a 21-year mining lease. The decision to consider the implementation of the recommended underground programme to further investigate this gold deposit has been deferred owing to certain considerations, principally an improvement in the price of gold to an acceptable and sustained level to facilitate the necessary funding.

Exploration carried out during the 1974 field season, correlated with previous work, provided a basis for a recalculation of drilling-indicated reserves for the No. 1 and No. 2 Zones and the 'B' and 'C' veins of the South Zone, now estimated at 43,750 tons averaging 0.46 ounce of gold per ton.

As previously reported, the Company's firm of consultants recommended that underground exploration of these three known main zones be undertaken to determine grade, tonnage and ground conditions as a more positive approach, particularly with respect to the complex South Zone.

General

The Directors express appreciation for the loyal and efficient work of our technical staff, employees and consultants.

On behalf of the Board of Directors,

"Alan R. B. Lowe"
President

29th March, 1977

ANGLO UNITED DEVELOPMENT CORPORATION

AND ITS WHOLLY-OWNED SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS AT OCTOBER 31, 1976

ASSETS

CURRENT ASSETS

Cash
Short-term deposits
Accounts receivable

INVESTMENTS — at cost (note 2)

Shares of Northgate Explorations Limited
(quoted market value 1976 — \$886,799; 1975 — \$788,266)

MINING AND OIL PROPERTIES (notes 1 and 3)

Oil leases
Mining claims
Interest in exploration ventures
Deferred exploration expenses

OTHER ASSETS

Head office furniture — at cost
Organization expenses

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued charges

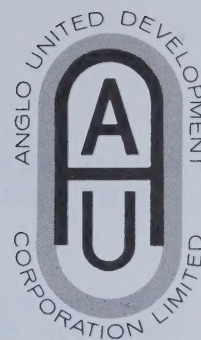
SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 4)

Authorized —
8,000,000 shares without par value
Issued and fully paid —
7,013,500 shares

DEFICIT

LIMITED



1976	1975
\$	\$
81,862	41,746
304,445	66,000
4,978	4,426
<u>391,285</u>	<u>112,172</u>
231,541	231,541
60,050	72,657
72,500	72,500
877,822	820,549
920,177	898,202
<u>1,930,549</u>	<u>1,863,908</u>
4,646	4,646
18,653	18,653
23,299	23,299
<u>2,576,674</u>	<u>2,230,920</u>
16,395	18,639

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Anglo United Development Corporation Limited and its wholly-owned subsidiaries as at October 31, 1976 and the consolidated statements of loss and deficit and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at October 31, 1976 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
December 7, 1977

COOPERS & LYBRAND
Chartered Accountants

4,396,589	3,996,589
1,836,310	1,784,308
2,560,279	2,212,281
<u>2,576,674</u>	<u>2,230,920</u>

SIGNED ON BEHALF OF THE BOARD

J. H. MORLOCK, Director

A. R. B. LOWE, Director

**ANGLO UNITED DEVELOPMENT CORPORATION LIMITED
AND ITS WHOLLY-OWNED SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF LOSS AND DEFICIT
For the Year Ended October 31, 1976**

	1976	1975
	\$	\$
INCOME		
Dividends	—	61,583
Oil production — net	12,607	7,814
Interest and other income	31,820	15,974
	<u>44,427</u>	<u>85,371</u>
EXPENSES		
Administration expenses	83,822	65,460
Amortization of oil leases	12,607	7,814
Exploration expenses	—	12,097
	<u>96,429</u>	<u>85,371</u>
NET LOSS FOR THE YEAR	52,002	—
DEFICIT — BEGINNING OF YEAR	1,784,308	1,784,308
DEFICIT — END OF YEAR	<u>1,836,310</u>	<u>1,784,308</u>

**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
For the Year Ended October 31, 1976**

	1976	1975
	\$	\$
WORKING CAPITAL PROVIDED BY:		
Dividends	—	61,583
Interest and other income	31,820	15,974
Oil lease rentals	12,607	7,814
Proceeds from common share issue	400,000	—
	<u>444,427</u>	<u>85,371</u>
WORKING CAPITAL APPLIED TO:		
Interest in exploration ventures	57,273	192,494
Deferred exploration expenses	21,975	19,910
Administration expenses	83,822	65,460
	<u>163,070</u>	<u>277,864</u>
INCREASE (DECREASE) IN WORKING CAPITAL	281,357	(192,493)
WORKING CAPITAL — BEGINNING OF YEAR	93,533	286,026
WORKING CAPITAL — END OF YEAR	<u>374,890</u>	<u>93,533</u>

ANGLO UNITED DEVELOPMENT CORPORATION LIMITED AND ITS WHOLLY-OWNED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended October 31, 1976

1. ACCOUNTING POLICIES

The accounting policies of the company and its subsidiaries are in accordance with generally accepted accounting principles. Outlined below are those policies considered particularly significant for the Company.

(a) Basis of consolidation

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiaries, Anglo United Investments Limited and Munster Base Metals Limited.

(b) Translation of foreign currency

Current assets and current liabilities are converted to Canadian dollars at the year-end exchange rate. Other assets have been converted at the rate in effect at the time of the transaction.

(c) Amortization

Oil leases are being written off on the basis of net revenue received.

(d) Deferred exploration expenses

These expenses are deferred until such time as they are written off against production from the property to which they apply or until the claims are sold or otherwise disposed of. Sufficient expenditures are charged to expenses in the year incurred to absorb the income.

2. INVESTMENTS

Due to the number of shares held, the quoted market value is not indicative of the value which may be more or less than that indicated by market quotations.

3. MINING AND OIL PROPERTIES

(a) The amounts shown for mining and oil properties represent costs to date, less amounts written off, and are not intended to reflect present or future values.

(b) Oil leases consist of an interest in the Sarcee Buffalo Group and the Canex Buffalo Group in the Buffalo-Bindloss Area of Alberta.

(c) Mining claims consist of the Camp Lake property of 20 claims in the Snare River area, Northwest Territories.

(d) Interest in Exploration Ventures

This consists mainly of the expenditures on the Irish property covered by the Penarroya agreement of \$801,575 (1975 — \$750,515).

(e) Penarroya Agreement

As of November 1, 1975 Munster Base Metals Limited (a wholly-owned subsidiary), Societe Miniere et Metallurgique de Penarroya and Preussag — Metals A.G. entered into a joint venture agreement in respect of certain mining licences held in the Republic of Ireland. Under the agreement, which is to remain in force until such time as all licences have been abandoned or surrendered, Munster has an initial participating interest of one-third.

**ANGLO UNITED DEVELOPMENT CORPORATION LIMITED
AND ITS WHOLLY-OWNED SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended October 31, 1976**

3. MINING AND OIL PROPERTIES (continued)

(f) Deferred exploration expenses are summarized below:

	1976	1975
	\$	\$
Balance — beginning of year	898,202	890,389
Expenditures during year	21,975	19,910
	<u>920,177</u>	<u>910,299</u>
Amounts written off	—	12,097
Balance — end of year	<u>920,177</u>	<u>898,202</u>

4. CAPITAL STOCK

During the year, 600,000 common shares were issued for cash of \$400,000.

5. INCOME TAXES

- (a) The company has substantial amounts of deferred exploration expenses available for income tax purposes which may be applied against income of future periods.
- (b) One of the subsidiary companies has loss carry-forwards for income tax purposes of \$74,000 which expire in varying amounts up to 1981.

6. SENIOR OFFICERS' REMUNERATION

The aggregate direct remuneration paid to a director and senior officers (as defined by the Business Corporations Act, which includes the five highest paid employees) was \$73,431 (1975 — \$69,932).

